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STATE PASS USTR
STATE FOR EAP/TC,
USTR FOR ALTBACH AND WINELAND,
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDA/FAS FOR SHEIKH/MIRELES
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS,
AND SAN FRANCISCO FRB/TERESA CURRAN

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TAGS: [ETRD](#) [ECON](#) [PREL](#) [PGOV](#) [TW](#)
SUBJECT: PREMIER EMPHASIZES TAIWAN'S DEMOCRACY

REF: A. TAIPEI 941

[1](#)B. TAIPEI 980

Classified By: AIT Director Stephen M. Young, reasons 1.5 (b), (d)

[1](#)1. Summary: Premier Su Tseng-chang highlighted Taiwan's status as a developing democracy during an initial courtesy call March 22 by AIT Director Young. Su was responsive and expansive on topics raised by the Director, reiterating and highlighting the need to maintain social order, reaffirming the ruling party's resolve to provide for self defense, and criticizing the opposition KMT for constantly shifting its position on issues. Nevertheless, Su said he would continue to identify ways to work with the opposition and make progress on the top issues. End Summary.

Su Highlights Taiwan Democracy

[1](#)2. (C) AIT Director Young made his initial courtesy call on Premier Su Tseng-chang March 22. Su had FonMin James Huang, Executive Yuan Secretary General Liu Yu-san and MOFA North American Affairs Secretary General Leo Lee in the room as well as an interpreter and three note takers. After a brief discussion of the Director's previous experiences in Taiwan, where Su observed that both he and the Director could be considered to have roots in southern Taiwan, the Premier highlighted the importance to Taiwan of the development of democracy. He said that Taiwan has gone through a difficult process developing democratic institutions to go along with its economic successes. Echoing public comments from his first address to the Legislative Yuan, Su said he and his

cabinet are focused on maintaining social order and economic prosperity. He said there are serious social order issues such as smuggling and violent crime and Taiwan needs to learn how to resolve these issues in a democratic fashion. Su also suggested that perceptions of increased crime may be exaggerated, but that still means the government is taking the problem seriously. He said he wants to create a prosperous economic environment so people do not feel the need to turn to crime.

Corruption Not as Widespread as Under KMT

13. (C) When asked about corruption in the government, Su said the ruling party has been sharply criticized for corruption, but described a sharp contrast in the current situation compared to when the KMT was in power. He said that corruption was pervasive under the KMT; that people simply viewed it as a standard part of the economic environment. Now, Su said, while there are, of course, cases of corruption like in any democratic country, the situation in Taiwan is one of individual cases rather than corruption simply being the way business gets done. Su also said that Taiwan's press is very active in searching for and reporting on any cases of corruption. He said the ruling party is serious about tackling corruption and rooting out the individual cases.

Ma & KMT Shifting Positions

14. (C) The Director asked about Taiwan's security and arms procurement, noting that China and others are listening closely to the public debate between the DPP and the KMT. The Premier reiterated comments he made on March 9 to the acting Director (Ref A), saying that freedom is not free and that Taiwan must show its resolve to defend itself. He reaffirmed the DPP's commitment to move forward on arms procurement. He took this opportunity to complain that the KMT and its Chairman, Ma Ying-jeou, constantly shift their position on arms procurement, making it impossible for Taiwan to move forward on the bill. He said he is fully prepared to work with the KMT and consult on any issues of concern, but groused that Ma is apparently shifting his position once again during his trip to the U.S.

15. (C) The Director said that some in the U.S. see Taiwan as unwilling to buy weapons and therefore lacking resolve to defend itself. As a result, some people may conclude that Taiwan does not believe the PRC poses a real threat. The Premier assured the Director that the China threat is real and aimed directly at Taiwan. He said that the DPP directly conveys this to the people of Taiwan, but that the KMT paints a very different picture of the situation. Su said that the biggest difference between the DPP and the KMT is that the KMT wants to unify with the PRC while the DPP favors a democratic choice and leaving any such momentous decision to the people on Taiwan. Su said Taiwan very much appreciates President Bush's speech in Tokyo last November when he cited Taiwan as a good model for the world on democratic development

Cross-Strait Economics

16. (C) The Director thanked Foreign Minister Huang for alerting AIT earlier that day that Mainland Affairs Council Chairman Joseph Wu would hold a press conference that afternoon to introduce guidelines for implementing President Chen's new cross-Strait economic policy of "active management." The Director asked if the business community would welcome the guidelines. Foreign Minister Huang said that he thought the business community would not have any problem with the guidelines and the Premier assured the Director that there were no new restrictions in the guidelines. (Ref B provide analysis of the guidelines.)

17. Su explained that Taiwan wants to see progress across the Straits on economic issues. For example, he said Taiwan is

open to tourism and would welcome tourist visits from the PRC. However, he said they cannot open up without first establishing with the PRC a mechanism to deal with the issue of tourists that overstay their visit.

18. The Director said that a careful analysis suggests the cross-Strait trade relationship has been a positive element of the Taiwan-China relationship. Su responded by saying that over 70 percent of Taiwan overseas investment goes to the PRC and this could be a situation where Taiwan firms are "putting all of their eggs in one basket." He acknowledged that some Taiwan investments in the Mainland continue to provide benefits for Taiwan's economic development but complained that projects in some areas do not return any benefits to Taiwan. He cited the issue of fruit seeds developed in Taiwan that are used to produce crops on the Mainland. The fruit is marketed as "Taiwan" fruit, but Taiwan firms do not reap any benefits.

Comment

-----9. (C) Su's discussion with the Director was more expansive than his discussion with AIT on March 9, but other than emphasizing Taiwan's status as a robust and developing democracy, he did not appear to have any particular agenda that he wished to pursue. He stuck to regular DPP criticisms of the KMT and of the difficulties of pursuing progress on cross-Strait economic issues. End Comment.
YOUNG